



State of Wisconsin • DEPARTMENT OF REVENUE

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Jim Doyle
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Senate Tax Fairness and Family Prosperity Committee Hearing, February 13, 2008

Senate Bill 373 – Setoffs Against Tax Refunds for Debts Related to Providing Ambulance Services (Senator Jauch)

Description of Current Law and Proposed Change

Under current law, if a person owes a debt of at least \$20 to a county or municipality, and if the debt has been reduced to a judgment or the county or municipality has provided the debtor reasonable notice and an opportunity to be heard with regards to the debt, the county or municipality may certify the debt to the Department of Revenue (DOR) so that DOR may collect the debt for the county or municipality by subtracting the amount of the debt from any tax refund owed to the debtor.

Under this bill, private ambulance service providers may also certify to DOR for collection debts related to providing ambulance services to individuals in this state. The bill also authorizes the DOR to charge the debtor a fee to cover the administrative cost of the bill.

Administrative Impact/Fiscal Effect

- The revenue effect of the bill is expected to be minimal. The department expects to incur one time costs of \$22,100 for salary and fringe benefits as a result of the bill. These costs may be funded from the fee authorized under the bill if revenue is sufficient.
- The department anticipates that other private companies will seek expansion of the provision to allow them to submit their debt to the DOR for refund setoff. This could create a situation in which DOR becomes a collection agency for private companies.
- The department has a number of technical comments and concerns related to the bill (see attachment). These were also shared with the author in a January 22 memo.

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Department of Revenue Technical Comments & Concerns -- Senate Bill 373

The statute places the refund setoff for privately owned ambulance services before the refund setoffs for the IRS, federally recognized tribes located in Wisconsin, and other states. The setoff for a private company should be placed after all other government entities. This will ensure that government debts are given priority over private company debts in the event that a refund is insufficient to satisfy all debts certified to DOR.

The department would prefer to see definition of "debt" in sec. 71.936(1)(b) expanded to include a minimum debt amount of \$20. For example, it could be written as: *"Debt" means an amount of at least \$20 incurred by an individual for transporting that individual to or from a facility or institution that provides health services.*

The statute indicates the fee to administer the program should be charged to the debtor. This will, in effect create a situation where the DOR becomes a collection agency for a private company. Costly collection services will be provided free of charge to private companies.

Sec. 71.936(2) lacks the due process protections provided in sec. 71.93(2) and 71.935(1)(a). The proposed legislation does not require the debt be reduced to a judgment or that the debtor has received reasonable notice and the opportunity to be heard with respect to the debt. Thus, the debtor is afforded less protection under this proposal than he is afforded with governmental debts. The DOR recommends a change in wording to: *"At least 30 days prior to certification each debtor shall be sent a notice by the ambulance service provider of its intent to certify the debt to the department for setoff and of the debtor's right to appeal."* Advanced notice gives the debtor the opportunity to resolve the debt prior to involving DOR.

The department recommends that the bill include language in current tax refund offset law [s. 71.93(6)] which provides that the Secretary of Revenue is the final authority in the resolution of interagency disputes. The department also recommends that the bill require the service provider to enter into a written agreement with DOR.

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